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RUEHBJ/AMEMBASSY BEIJING 5170
RUEHCHI/AMCONSUL CHIANG MAI 4413
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C O N F I D E N T I A L SECTION 01 OF 03 BANGKOK 005806

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SUBJECT: MATCHIMA PARTY LEADER AND AMBASSADOR DISCUSS
POLICIES, ELECTION

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Classified By: Ambassador Ralph L. Boyce, reason: 1.4 (b) and (d).

SUMMARY

11. (C) Matchima Thippathai Party Leader Prachai Leophairatana told the Ambassador he aims for Thailand to implement numerous "welfare state" policies. In a November 13 lunch, Prachai advocated free medical care, free education through college, and a debt moratorium. Still smarting from the loss of his oil company in the 1997 financial crisis, he denounced the IMF, claimed the Singaporeans have taken over the Thai banking system, and in essence revealed that his real goal is to become Finance Minister. He gave an unrealistically optimistic projection for his party's performance in the coming election (although Matchima may become a reasonably influential mid-sized party), and he assessed that the legislature would select the next Prime Minister based on money politics, with deposed Prime Minister Thaksin Shinawatra retaining significant influence in Thailand. End Summary.

ECONOMIC PLATFORM

12. (C) Matchima Thippathai ("Matchima," for short) Party Leader Prachai Leophairatana opened his November 13 discussion with the Ambassador by reviewing the economic policies he advocated; he stated unabashedly that he favored establishing what he termed a "welfare state" that would provide for the needs of the poor. Toward this end, he sought to provide free medical treatment in government hospitals; free education, including college; and a 10-year wide-ranging debt moratorium. As part of the moratorium, Prachai would have the government make the interest payments on otherwise non-performing loans, and then cap at three percent the spread between interest rates charged to and by lending institutions. Prachai suggested that the RTG should also provide crop insurance for farmers and expand price supports for rice. When asked how the RTG should pay for the

government subsidies in his party's platform, Prachai suggested that the government sell long term bonds to the Bank of Thailand.

13. (C) Prachai also urged liberalizing the finance sector so as to allow any domestic or foreign entity to establish banking institutions. He said there was no need to protect Thai banks from foreign competition, because most leading Thai families formerly involved in banking had sold their firms to foreign owners. Singaporeans had become exceptionally influential in Thai banking, Prachai complained, saying Thailand had essentially lost its independence as a result.

14. (C) Prachai stated his opposition to privatization of state enterprises that provide crucial services to the public (e.g., utilities), and he also denounced as misguided the measures that the International Monetary Fund had prescribed for Thailand during the 1997-1998 Asian Financial Crisis. He also advocated the RTG using different foreign currency exchange rates depending on the use to which the foreign currency was to be put. To have the greatest impact on Thailand's economic situation, Prachai indicated that Matchima would hope to be allowed to place its own figure (read: Prachai) as Finance Minister, in the event that the party were to participate in a coalition government.

ELECTIONS

15. (C) Matchima Thippathai would garner around 120 seats in the next election, Prachai predicted, noting that he based this projection on the likelihood of former legislators being reelected in their constituencies. Matchima had approximately 100 former MPs who would run in the next election; their efforts should also ensure a roughly proportional result for candidates on the regional party

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lists. (Note: A recent university poll showed just over nine percent support for Matchima nationwide; based on the poll's results, daily newspaper The Bangkok Post projected Matchima might win 45 seats, placing behind the People's Power Party, Democrat Party, and Chart Thai Party, in that order. End Note.)

16. (C) Prachai complained that voters would be easily confused by the new election system, which was overly complicated and provided voters with ballots devoid of candidates' names or party symbols. He believed that the pro-Thaksin People's Power Party (PPP) had a chance to win a majority of the seats in parliament, although many PPP candidates would likely be disqualified by Election Commission officials for illegal acts (e.g., vote-buying). In Bangkok, where Prachai heads Matchima's party list, he predicted Matchima would draw voters from demographic groups typically seen as supportive of the Democrat Party.

17. (C) Prachai believed that Bangkok voters would recall the flawed governance of prior Democrat administrations; the Democrats took such voters for granted without realizing that the Democrats had benefited from a lack of viable alternatives to Thaksin's Thai Rak Thai. Prachai asserted that Matchima would provide that alternative and benefit accordingly. He believed the success of the People's Alliance for Democracy, which he had supported in its campaign to oust Thaksin from Government House, had proven his ability to appeal to and mobilize Bangkok residents. He was generally dismissive of the prospects of other new parties, such as Ruam Jai Thai Chart Pattana and the "For the Motherland" (Peua Paendin) Party.

THAKSIN: CAN'T RETURN, BUT STILL INFLUENTIAL

18. (C) The Ambassador asked Prachai's view of Thaksin's fate.

Prachai doubted Thaksin would ever be able to return to Thailand, because he would face a growing number of criminal charges. However, Prachai believed that Thaksin was able to retain significant influence because he had provided money to various government and political party figures. Prachai complained that even Prime Minister Surayud had made a deal with Thaksin, and, consequently, the Prime Minister failed to implement good and effective policies that would have won the support of the population; instead, Prachai said, the interim administration had governed ineptly, leading Thais to become nostalgic for Thaksin's administration.

¶9. (C) Prachai believed there was a high likelihood that the legislature's choice of the next Prime Minister would be determined by money politics. He assessed that Chart Thai Party Leader Banharn Silapa-Archa was currently willing to act as Thaksin's nominee, although Thaksin could also choose from a wide range of other figures. (Comment: Banharn publicly claims he is allied with the Democrats, although most observers assume he will cut the best deal for himself with whomever he can. End Comment.)

¶10. (C) The Ambassador asked Prachai's view of the likelihood of an amnesty for political figures covered by the Constitutional Tribunal's May ruling that dissolved Thai Rak Thai and imposed a five-year loss of voting rights for the party's executive board members. Prachai -- whose party drew on the networks of some such figures -- estimated that it would take two to three years before the public would accept such an amnesty.

COMMENT

¶11. (C) Our contacts have described Prachai as one of a few wealthy figures willing to devote substantial personal funds to the coming election. (Many prospective financiers, believing the next government will be short-lived, seem to view the upcoming campaign as a poor investment.) He may be motivated in part by a desire to block the return to

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influence of Thaksin, who undoubtedly has Prachai's name on his enemies list. He also appears to hope that his acquisition of political influence in this election may help him to regain control over the Thai Petrochemical Industry (TPI -- now renamed as the Integrated Refinery and Petrochemical Company), the firm that he founded. Prachai lost control of TPI after its bankruptcy during the Asian Financial Crisis; given Prachai's exposition of his economic policies in this meeting with the Ambassador, we are not optimistic that the Thai government would fare much better than TPI if Prachai were entrusted with its financial affairs. End Comment.

PARTICIPANTS

¶12. (U) Prachai was accompanied by his wife, Orapin Leophairatana; his younger brother, Pramuan Leophairatana; businessman Amarin Khoman, who is also a nephew of former Foreign Minister Thanat Khoman; and Matchima Thippathai party spokesman Narong Anage.

BOYCE